



WA farmer confidence hits four-year high

Results at a glance:

- 97 per cent of WA farmers expect next 12 months to be as good as, or better than, the last
- Confidence underpinned by high beef and sheep prices plus good start to the season
- Strong investment and debt repayment intentions. Perceptions of viability also up.

Strong returns for beef and sheep, coupled with good autumn rain, has ‘put a smile on face’ of farmers across much of Western Australia. The latest Rabobank Rural Confidence Survey has found that half of the state’s farmers are expecting this year to be better than the last, with confidence at its highest level since March 2011.

The quarterly survey – completed approximately a month ago – showed 97 per cent of surveyed farmers anticipating conditions to either improve (51 per cent, up from 42 per cent) or remain similar to last year (46 per cent). While just two per cent (down from eight per cent) were expecting conditions to worsen.

Long-term confidence was also evident, with WA farmers holding strong investment and debt repayment intentions and the viability index (which measures farmers’ perceptions of their business viability) increasing to its highest level since the survey began in 2000.

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions, on average, 1000 primary producers across a wide range of commodities and geographical areas throughout Australia on a quarterly basis.

Rabobank state manager for Western Australia Crawford Taylor said the mood on the ground was one of optimism, with graziers particularly upbeat while their cropping counterparts were also positive on the back of good planting rains.

“Beef producers are in many instances seeing their best-ever returns, while sheep prices remain strong. We have also seen the wool market kick in recent weeks which is providing a boost to confidence,” he said.

“From a cropping perspective, widespread rains in April and again in mid-May have given growers a good start to the season, with the cropping program well and truly underway.”

Mr Taylor said reports indicated that soil moisture levels were good in the majority of the wheatbelt, however “June rains have become important given May rainfall has been below average across the agricultural area”.

Mr Taylor said, with little downside expected for beef and sheep prices over coming months, weather would be the key determinant of confidence going forward.



Rabobank

Media Release

June 1, 2015

The latest survey showed many WA farmers were taking an active approach in preparing for potential future dry conditions, with 61 per cent of respondents indicating that they strategically plan for drought.

Measures included storing feed and growing fodder, upgrading water infrastructure, selling down livestock, actively managing cash flow through Farm Management Deposits, accessing cash reserves and adjusting cropping plans.

While seasonal conditions were front-of-mind for the 58 per cent of WA respondents expecting conditions in the agricultural economy to improve (down slightly from 64 per cent who had positive expectations of the season last quarter), commodity prices emerged as the biggest driver of confidence this quarter.

This survey, around three-quarters (73 per cent) of farmers with a positive outlook on the coming year cited commodity prices as the reason for their optimism – up from just three per cent last quarter.

The lower dollar was also cited as a positive driver of sentiment by 28 per cent (compared with no respondents last quarter) while 18 per cent were buoyed by the state of overseas markets.

The combination of the positive commodity price and seasonal outlooks flowed through into stronger expectations of the future performance of individual farm businesses. More than half of the state's farmers (54 per cent) expected an improved financial position over the coming 12 months and a further 42 per cent expecting a similar result to last year. Just two per cent expected their own farm business's performance to worsen.

Farmers' perceptions of their business's viability levels were also strong, with 98 per cent of the state's farmers seeing themselves as viable.

Longer-term confidence was also evident, with farmers holding strong investment and debt repayment intentions.

This survey, 95 per cent of farmers indicated their intention to increase or maintain their level of investment in their farm businesses – of which 27 per cent had expansionary intentions (down slightly from last quarter's reading of 33 per cent).

Mr Taylor said with graziers benefiting from good prices and grain growers harvesting two good crops, there had been an increased level of investment "inside the farmgate" to boost productivity.

"And we would expect to see this boosted by the recent announcement in the federal budget regarding the accelerated depreciation of fencing and water infrastructure – which will be especially helpful in pastoral areas," he said.

WA farmers also indicated strong debt repayment intentions, with 46 per cent looking to reduce their debt. Of those looking to increase debt (15 per cent of the WA farmers survey), 28 per cent of this was pegged for property acquisition.

"While there is a moderate capacity out there for expansion through property purchase, at present the majority of farmers are concentrating on improving their equity levels through debt reduction," Mr Taylor said.



Rabobank

Media Release

June 1, 2015

The most robust study of its type in Australia, the Rabobank Rural Confidence Survey has been conducted since 2000 by an independent research organisation.

The next results are scheduled for release in September 2015.

<ends>

Rabobank Australia is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 115 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 40 countries, servicing the needs of approximately 8.8 million clients worldwide through a network of close to 1000 offices and branches. Rabobank Australia is one of the country's leading rural lenders and a significant provider of business and corporate banking and financial services to the Australian food and agribusiness sector. The bank has 61 branches throughout Australia.

To arrange an interview with Rabobank state manager Crawford Taylor or for more information on Rabobank's Rural Confidence Survey, please contact:

Denise Shaw
Head of Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Jess Webb
Media Relations Manager
Rabobank Australia & New Zealand
Phone: 07 3115 1832 or 0418 216 103
Email: jess.webb@rabobank.com